REPORT BY PRESIDENT NANNERL O. KEOHANE
PREPARED FOR THE DUKE UNIVERSITY BOARD OF TRUSTEES
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DESIGN AUTOMATION TECHNOLOGY CENTER

I want to begin with some very good news: I am delighted to report the creation of a Design Automation Technology Center in our School of Engineering. With the aid of generous gifts and grants of state-of-the-art computer software, Duke University’s electrical engineering department has launched this new center to provide students and researchers with the latest computerized tools for laying out the most complex of electronic systems.

Duke faculty and students now will have unparalleled access to the most sophisticated computer-aided design (CAD) tools for teaching and research programs in our School of Engineering. David Overhauser, an assistant electrical engineering professor who specializes in computer aided design tools, directs the new Design Automation Technology Center. It will help students become proficient with the same computer aided design programs that high-tech companies use to design everything from integrated circuits to engine parts.

A number of Northern California alumni based in Silicon Valley were the crucial players in this wonderful project, cajoling their companies to provide these state-of-the-art CAD tools to make it possible to establish this exciting new center. They estimate the overall value of this software -- its list price on the open market -- at around $36 million. I particularly want to thank Jim Girand, an engineering alumnus from Palo Alto for his tireless efforts to help us acquire this software, and for his continuing commitment to enhance the quality of Engineering’s teaching and research programs. I was welcomed by Jim and the rest of the Northern California Computer Advisory Group -- a wonderfully exciting group of alums, mostly quite young and all quite technologically sophisticated, who provide a fine example of a new way of working for their alma mater -- in Los Altos when I was in the Bay Area last month.

One of the goals of the electrical engineering department has been to provide our students with a unique educational program that joins traditional fundamentals in mathematics, science and engineering with the best available computer techniques for analysis and design. And the new center makes this possible. Today’s issue of the Dialogue has an extensive article on the center and I commend it to you.
ELECTIONS, APPOINTMENTS AND SEARCHES

I am pleased to report that James Siedow, Professor of Botany, was elected chair of the Academic Council last week; he will succeed Richard Burton of the Fuqua School on July 1. I have worked closely with Jim this year as chair of the academic priorities committee and member of our strategic planning group, and have found him to be a thoughtful and wise colleague and counselor. Jim brings a breadth of experience to his new post, and I am confident he will be a strong leader of the Academic Council in what promises to be a challenging year.

You will know from reading the Duke Dialogue that on January 31, Ron Stone joined John Piva’s staff as director of development for science initiatives. His first priority is to guide the completion of the fund-raising effort for the Levine Science Research Center. Ron comes to Duke after senior development-management positions at Cornell, the Children’s Medical Center in Boston, and MIT. He understands the importance of interdisciplinary collaboration in scientific discovery, and will be a strong spokesman for this cause. As of January 31, almost 28 million dollars had been received in gifts and pledges toward the 70.5 million dollar fund-raising goal; we’re confident those numbers will increase significantly as a result of Ron’s leadership.

We are well underway in our searches for a provost, a chief financial officer, and a chief information officer. Craufurd Goodwin, the chair of the provost search committee, issued a report last week in Dialogue that describes the criteria and qualifications of the provost that will guide the committee in its efforts to identify a successor to Provost Tommy Langford. I will be happy to discuss the status of all three searches with you in executive session.

ADMISSIONS

This a particularly busy time of year for the undergraduate admissions office, and most of the news is good. We have had 14,231 applicants so far -- that’s 3.2 percent increase over last year at this time. I’m told that we also have a slightly stronger and more diverse pool of applicants this year. Some highlights: with 1,070 applicants, for the first time California is the number 2 state for applications. Number 1 again is New York state with 1,483. I’m pleased to report that applications from North Carolina have increased more than 7 percent from 881 to 947 this year.

We have slightly more African-American applicants this year. Asian applicants are down slightly as are applicants with alumni parents. Hispanic applicants are up 12 percent. And the number of applicants seeking financial aid is up -- 8,893 compared with 8,317 last year. While that will have budget implications, given our need-blind admissions policy, it is a positive reflection of the economic and social diversity of our applicant pool.

Christoph Guttentag tells me we’ll be mailing decision letters earlier than we have in the past. Our target is March 31 -- he assures me that we will not mail letters on April 1. We’re speeding up the process to give students an opportunity to visit the campus during their spring breaks and before our classes end.

As you know, thanks to a generous grant from the Duke Endowment, we are able to offer to outstanding applicants from the Carolinas a limited number of B.N. Duke scholarships that enable recipients to graduate from Duke debt-free. Forty-seven B.N. Duke and nine Trinity
scholarship finalists visited the campus last weekend to meet with faculty and students, as well as attend a dinner in their honor. All of these young men and women from the Carolinas are exceptional students who have demonstrated strong academic performance, outstanding leadership ability and community involvement. The winners of three Trinity and 15 B.N. Duke scholarships will be announced in a few days. Candidates for the Angier B. Duke Scholarships, awarded to exceptional students from around the country (and indeed around the world), will be on campus later this month, as well.

CAMPUS LIFE TASK FORCES AND PLANNING INITIATIVES

The first draft of one of our task force reports on life on campus is due to be presented in a few weeks. The Task Force on the Intellectual Climate at the University, chaired by Classics Professor Peter Burian, is scheduled for a preliminary report to Academic Council March 17th. The report from the Task Force on Greek Life, chaired by Cultural Affairs Director Susan Coon and Chemistry Professor Steven Baldwin, will be presented to the Trustee Committee on Student Affairs at its May meeting. And the Residential Life Committee, chaired by English Professor Ron Butters, expects to present a preliminary report by the end of April.

Once these reports are received, we plan to devote the better part of the following academic year to analysis and campus discussion of the recommendations, with any new decisions about residential life, for example, to be implemented first in fall 1995.

The long-range planning process also is proceeding well. The provost's executive committee for international affairs, under the chairmanship of Political Science Professor Peter Lange, has prepared a preliminary plan for greatly expanding the university's reach into the international community and guiding students and faculty to new opportunities around the world. The Academic Council has accepted unanimously a new strategic plan for increasing the number of minority faculty members on campus over the next ten years, with particular focus on retention, and the Provost and I have accepted the report enthusiastically. Vice-Provost George Wright has been named to head the work of implementation of the plan.

The deans of each of the schools, working with faculty and administrative advisors, have within the past two weeks produced revised drafts of the plans prepared in mid-1992, which will form the basis for the University-wide plan we will present to you in May. We are grateful for the good ideas and considerable time and energy that all these people have put into our planning process.

HEALTH CARE REFORM

You will be hearing tomorrow from Chancellor for Health Affairs Ralph Snyderman about how the Medical Center is dealing with some current changes in health care practices and some challenges in the near-term future. Snyderman is taking an increasingly active leadership role nationally in the health care debate, particularly in focusing Congressional attention on the need to preserve the unique importance of DUMC and academic health centers that provide medical education and research which is the backbone of America's health care system. Earlier this month, Ralph testified before the Health Subcommittee of the House Ways and Means Committee. He also met recently with several leaders of the Congress, including Senator Daniel Patrick
Moynihan (D-N.Y.), the chairman of the Senate Finance Committee, who will be a key player in Congressional deliberations.

You may have seen national press reports last week about a major study conducted by two Duke physicians that has significant implications for health care reform. Dr. William Peters, director of the Bone Marrow Transplantation Program, and Dr. Mark Rogers, Executive Director of Duke Hospital, found that many insurance companies are -- as they put it -- "arbitrary and capricious" in how they decide whether to cover breast cancer patients' participation in clinical studies. The study was published in the February 17 issue of the New England Journal of Medicine with a supportive editorial in the Journal.

UNIVERSITY FINANCES AND BUDGET

On the financial front, university operations are 5.9 million dollars favorable to budget for the first half of the fiscal year. Tentative plans call for transfers of some 5.6 million dollars to reserve accounts at the end of the fiscal year, with 2.9 million dollars to discretionary reserves of the various academic units for future use, and 1.7 million to discretionary reserves of the chancellor for health affairs and the provost. In addition, 1 million dollars in above-budget licensing revenues resulting from our back-to-back national basketball championships in 1991 and '92 has been transferred to a reserve account to provide start-up funds for the new recreational facility. You will hear later from the Buildings and Grounds Committee that we are very close to naming an architect for the recreational facility project, which will allow us to move the project forward expeditiously.

Enrollment for the fall semester was somewhat higher than expected -- with a total undergraduate, graduate and professional school enrollment of 9,968 full time equivalents, 122 more than budgeted; undergraduate financial aid, however, was only slightly higher than projected, apparently a result of average parental contribution being higher than expected and the average award being lower than budgeted. The generally favorable report on current operations is included in your trustee materials under Tab A1 so I won't go into any more detail now.

Hospital revenue in this era of health reform is less certain than in the past. The health care market is much more competitive in our region and our hospital operating results fluctuate month to month. Our continued success rests on the quality of our people and on our willingness to anticipate change and to adapt successfully to it. Hospital operations through the first half of the fiscal year resulted in a net revenue over expenses of nearly 8 million dollars, which is 3.4 million less than budget for the period. Inpatient days were 3.9 percent under budget for the first six months of fiscal 93-94. This is due to a 2 percent decrease in admissions and a decrease in the average length of stay from 8.1 days last year to 7.8 days. Expenses for the first half of the year were more than 2 million dollars below budget as a result of continued strict attention to cost control. The hospital is now implementing a complete management and budget process overhaul to improve patient services as well as improve expense control. You have more detail in Tab 10A2, and I'm confident Chancellor Snyderman will review the implications of these trends in his report to you tomorrow.

Fund raising continues to go well, thanks to the generosity of our supporters and to the work that John Piva and his staff and many volunteers around the world are doing. Our goal for
the fiscal year is 159 million dollars. At the close of the January accounting period, $113 million had been received; that's almost a 23 percent increase over last year. And the Annual Fund continues to do well with a 19.5 percent increase in gifts and pledges paid over a comparable period last year. We are particularly pleased that 27,776 alumni and parents had contributed to the fund at last count, a 23 percent increase over last year at this time.

MAJOR CAMPUS EVENTS

Attorney General Janet Reno visited campus January 22 as keynote speaker for the three-day Frontiers of Legal Thought conference sponsored by the law school and coordinated entirely by law students. It was an impressive conference and a tribute to the talent of the many law students involved in its planning, and the faculty and members of Dean Gann's staff who supported them.

On January 28, Public Policy professor and Washington Post columnist David Broder gave the keynote address at the annual Duke-North Carolina Press Association awards banquet. I was especially proud that the Duke Chronicle was awarded third place for its coverage of higher education in this state-wide contest for which all of the state's daily and weekly papers are eligible. First place went to the Raleigh News & Observer, and second went to The Charlotte Observer, so The Chronicle was in pretty heavy competition. This is the first time a student newspaper has ever received one of these coveted awards. That is a genuine tribute to the professionalism that Editor Peggy Krendl and Executive Editor Michael Saul and their colleagues bring to our campus.

COMMUNITY RELATIONS

On February 15th, I had the pleasure of joining NCCU Chancellor Julius Chambers as keynote speakers at the Greater Durham Chamber of Commerce annual meeting. This apparently was the first time a sitting Duke or NCCU president had ever spoken at this major business event in our community. Excerpts from my speech appeared in last week's Dialogue; we'd be glad to share copies with any of you who are interested.

Many people from Duke are deeply involved in the Durham community but, as I've learned over the past several months, our size and complexity often make it difficult for community leaders to know how to work with Duke and with whom. It was clear that we needed better coordination of our community relations activities. To address this issue, I have recently clarified responsibility within our administration for leadership in this important area. Vice President and Vice Provost Leonard Beckum is Duke's principal liaison on education issues and our relations with the Durham schools. Executive Vice President Charles Putman is our primary contact on technology and research related issues, especially as they relate to the Research Triangle Park. Senior Vice President John Burness is responsible for government relations and all aspects of community relations not otherwise assigned to Drs. Beckum and Putman. This means that relations with local government or public officials that do not concern education or technology or research activities, should be discussed with and cleared through, John's office and conducted by the staff in our government affairs and community relations office. In addition, I have asked John to convene a Community Relations Council of senior administrators—including Len and Charles, as well as designated officers from the Provosts' office, the Medical Center, the University Counsel's
office, Student Affairs, and DUMAC—to help improve coordination and information flow across
the administration about issues involving Duke and the community and to help analyze and advise
me on policy issues affecting Duke and its neighbors. Garrick Francis and Paul Vick of our
Government Relations and community affairs staff will staff this council and will serve on a daily
basis as the principal locus of our community relations activities.

ALUMNI AFFAIRS

As you know, I concentrated last fall on meeting with alumni across the state of North
Carolina. Now we have taken our show on the road, and I can report that the enthusiasm and
warm feelings for Duke I found in the Tar Heel State exist among our alumni throughout the
country. Since our last meeting, I have met with alumni clubs, Executive Leadership Boards, and
Development Councils in New York, Chicago, San Francisco, and Washington. In New York,
more than 400 people attended the general alumni reception followed by separate dinners hosted
by the deans of the School of Engineering, School of Environment, Fuqua School of Business, and
the Divinity School, and the chancellor of the medical center. I’m grateful to Trustees George
Grupe and Roy Bostock for hosting various events associated with my visit and for the
contributions of our deans to the success of the New York gatherings.

The Washington event was also particularly noteworthy. Almost 600 alumni, parents, and
friends attended a reception at the Mayflower. Trustees John Koskinen, John Chandler, and Judy
Woodruff hosted meetings where I had a wonderful opportunity to discuss with alumni leaders the
many challenges and opportunities Duke has before it. I found these visits to be extremely
important in my education about Duke and continue to be tremendously encouraged by the loyalty
and commitment our alumni have for Duke to prosper in the years ahead. I also want to note that
Judy Woodruff will be the keynote speaker at the plenary luncheon of the Association of
Government Boards national conference this coming April. Judy will be speaking on the topic of
Multi-culturalism and Globalism: the Impact on Board and Presidents in Higher Education.

I have also traveled more informally to several other cities to meet with smaller groups of
Duke supporters, and we had a very successful President’s Council seminar here on campus this
month, despite the terrible weather. Now it’s on to the Miami-Palm Beach area next week,
Atlanta and Boston in April, Los Angeles and San Francisco in May, and Dallas in June.

And that, Mr. Chairman, concludes my report.